

**MEMORANDUM**

**TO:** File #: S7-28-07: Enhanced Disclosure and New Prospectus Delivery  
Option for Registered Open-End Management Investment Companies

**FROM:** Christian L. Broadbent  
Counsel to Commissioner Walter

**DATE:** November 19, 2008

**RE:** Meeting with representatives of Broadridge Financial Solutions, Inc.

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On November 18, 2008, Christian Broadbent and Lesli Sheppard of Commissioner Walter's office spoke by telephone with Chuck Callan of Broadridge Financial Solutions, Inc. ("Broadridge") and Kier Gumbs of Covington & Burling LLP, regarding the above-referenced proposal. In conjunction with the telephone conversation, Mr. Gumbs provided a presentation regarding Broadridge that is attached to this Memorandum.



**Broadridge™**

**Introduction to Broadridge  
Samples of Data and Statistical Measurement**

November 18, 2008

# Broadridge

## Overview

- NYSE listed, \$2+ billion (Lake Success, NY)
- Investor communications, brokerage processing, and clearing services
- Business model: Efficiency and participation

## Advanced Technology, examples:

- Customized interfaces, connect 90m+ street accounts, through 900+ banks and broker-dealers
- We process approx. 14k shareholder meetings annually -- communications and voting
- ProxyEdge (3k+ institutional investors)
- ProxyVote.com (17m+ "Main Street" accounts)
- Investor Mailbox (portal for over 16m accounts, on brokers' websites)
- Direct mail to 90m+ investor accounts
- Also, trade confirmations, statements, retirement plans

## Private Sector Leadership in Implementing SEC and NYSE Rules, examples:

- Investor "preference databases" for e-delivery, householding, and Notice & Access
- Electronic shareowner forums -- soft launch 10/20
- XBRL taxonomy for the Proxy Statement (14A) -- donated to XBRL U.S.
- Suppression of 54% of all physical mailings, consistent with investor preferences ('08 proxy season)
- Numerous education initiatives for investors and issuers

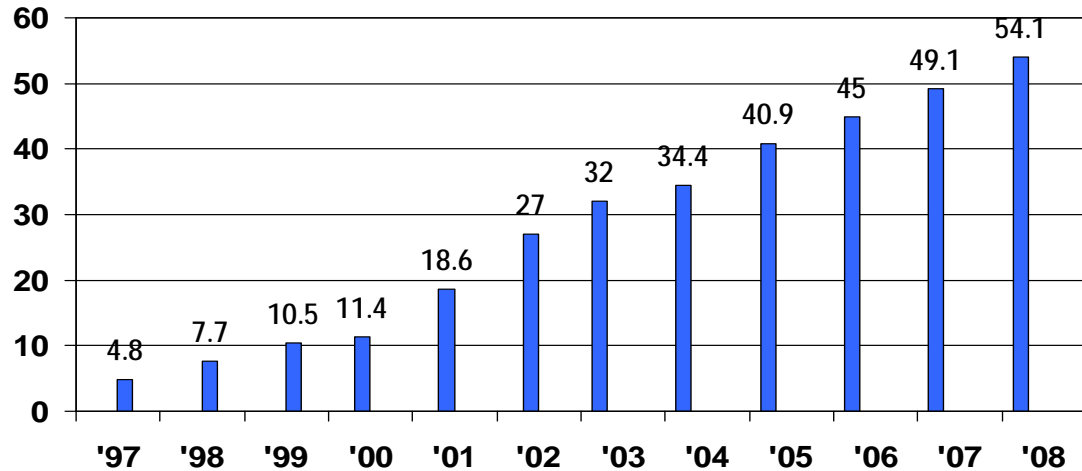
## Constructive Analyses for Policy Makers, examples:

- Extensive analysis of Notice & Access rules: pre- and post rulemaking
- Electronic shareowner forums - technical functionality for SEC Proxy Roundtable
- Proxy Roundtable - over voting analysis for SEC Division of Trading & Markets
- Mutual Fund Summary Prospectus delivery option - cost savings analysis, footnotes to proposed rules
- NYSE Proxy Working Group - analysis of proposed changes to broker vote rule, analysis of Canada's NI54-101
- Analytic support to Senate Banking, House Financial Services, Departments and Agencies
- Analytic support to third parties and associations (e.g., Chamber of Commerce, AARP, Council of Institutional Investors, Society of Corporate Secretaries, National Investor Relations Institute)

# Efficiency and Participation Proxy Season Statistics

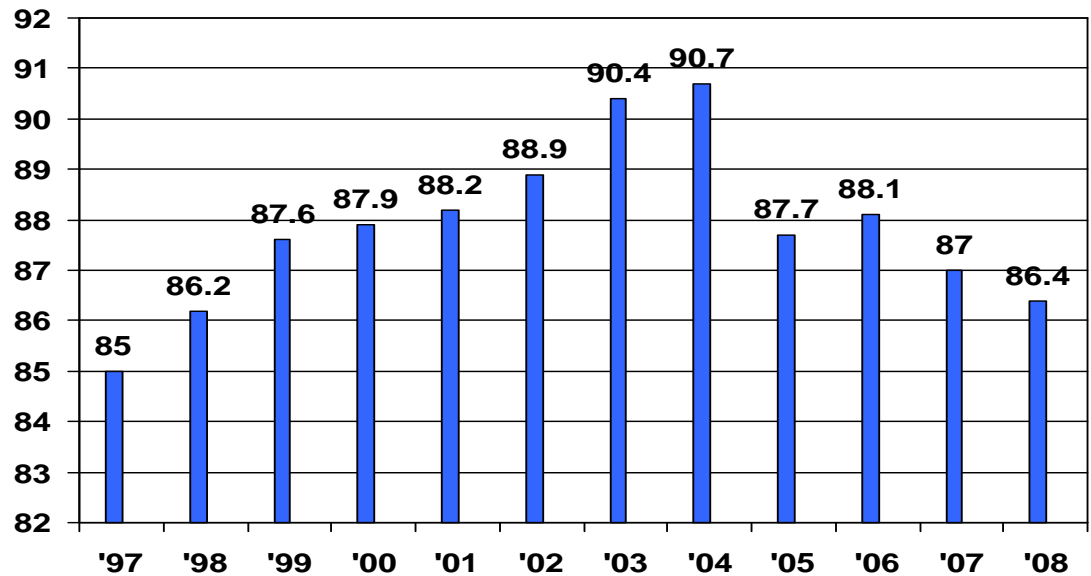
## Physical Mailings Eliminated (a measure of efficiency)

As a percent of all accounts processed by Broadridge



## Average Quorum (a measure of participation)

Of the total number of street shares processed by Broadridge, "Average Quorum" represents the percent that were voted. Includes "Broker Votes"



Note: "Proxy Season" covers 2/15 to 5/1.





## **Notice & Action Rules Changed the “Default” on Information Access. Few Account Holders Are Taking the Required Steps**

A Notice informs investors of the Internet availability of proxy information. Investors now need to take steps to obtain the information they automatically received prior to Notice & Access.

**Numerous studies on “defaults” by behavioral economists in varied applications (e.g., rebates for consumer electronics, 401(k) savings participation, no-fault insurance and other areas) all to point to the same conclusion; namely, opt-in rates are low, opt-out rates are low, and when there is a change in the underlying default, people typically take no action, even when it is in their economic to act.**

**By changing the underlying default, N&A reduced information access by over 96%. It has also resulted in voting without viewing proxy information.**

**Of 812,772 accounts that received Notices by mail\*:**

**Only 1.05% requested materials**

**Only 3.7% went to the specified URL to view the materials or vote**

\*Since the effective date of the rules (7/1/07), Broadridge has provided monthly statistics on adoption, voting rates, and cost savings. Since 5/1/08, Broadridge has also tracked statistics on web viewing. i.e., “eyeballs.”

## Responses to Notice Mailing

### Few Individual Investors View the Disclosures on the Specified URL.

Number of Notice Recipients	Number of Notice Recipients that Visited the Specified URL and Selected "Read Materials"	%	Number of Notice Recipients that Visited the Specified URL and Selected "Vote"	%
812,772	2,593	0.47	21,115	3.25

#### Notes

- Includes all 40 registrants that used Notice & Access (meetings from 6/1/08 to 9/26/08).
- A total of 812,772 account holders received a Notice by mail.
- Going to the URL and clicking on the "Vote" option opens a voting ballot and provides a link to view detailed information.
- The "Read Materials" option presents the materials and includes the option to vote.



## Investor Mailbox

- Integrated web-based presentation of investor information, with execution capability, e.g., proxy, corporate actions, statements, tax forms, and prospectuses.
- Integrated with the proprietary websites of banks and brokers
- Over 16 million accounts
- “Enhanced” online information experience
- Provides information to investors in their natural online task environment.

# Investor Mailbox

The screenshot shows the XYZ Investor Mailbox interface. At the top left is the XYZ logo. Below it is the title "Investor Mailbox" and a navigation bar with links: Home, Investor Information, Global Services, Stock Quote & Graphs, Investor Mailbox, View XML, and Logoff. On the right side of the page, the text "Investor Mailbox" is repeated. Below the navigation bar, there are tabs for "Investor Mailbox", "Confirms", "Statements", and "Taxes". The main content is a table with the following columns: Received, Account, Symbol, Description, Type, Action, Due Date, and Status & Date. The table contains six rows of data, each with a "Select Material" dropdown menu. A red arrow points from the "Proxy Analysis" link in the last row to the text below.

Received	Account	Symbol	Description	Type	Action	Due Date	Status & Date
04/23/07	01234	<a href="#">SHMR</a>	SHAMIR OPTICAL INDUSTRY LTD. Material: Sent via Postal Mail	Vote	<a href="#">Proxy Analysis</a>	Annual meeting	12/28/07
04/23/07	01234	624758108	MUELLER WATER PRODUCTS INC. Select Material	Vote	<a href="#">Proxy Analysis</a>	<a href="#">Annual meeting</a>	12/28/07
04/16/07	01234	<a href="#">TYCO</a>	TAYCO DEVELOPMENTS, INC. Select Material	Regulatory			
04/16/07	01234	<a href="#">PPR</a>	ING PRIME RATE TRUST Select Material	Regulatory			
04/16/07	01234	<a href="#">PNBC</a>	PRINCETON NATIONAL BANCORP, INC. Select Material	Regulatory			
04/03/07	01234	<a href="#">RTSX</a>	RADIATION THERAPY SERVICES, INC. Select Material	Vote	<a href="#">Proxy Analysis</a>	<a href="#">Annual meeting</a>	12/28/07

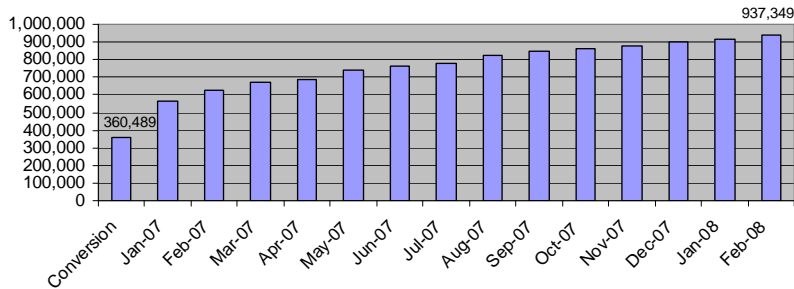
\*\*\* Click on the Symbol to view the company summary

Access to data, information and analysis-XBRL based, data feeds, etc.

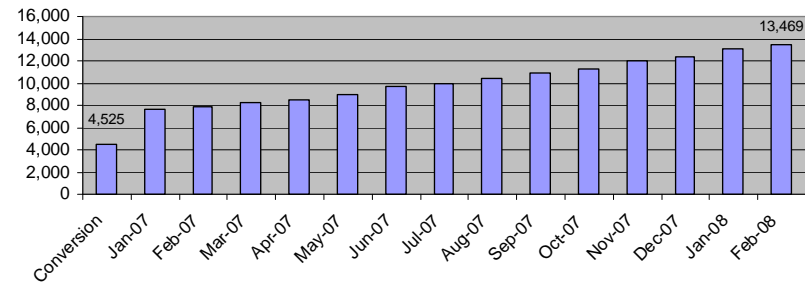
# Investor Mailbox – E-mail Consent Growth

Clients of brokers that have implemented the Investor Mailbox are consenting for e-delivery at increasing rates. It is providing an enhanced online delivery experience.

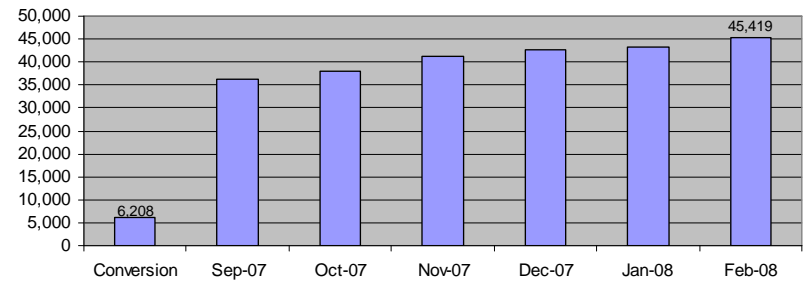
**Broker 1**



**Broker 2**



**Broker 3**



## Some Practical Implications - for Discussion

### 21<sup>st</sup> Century Disclosure Initiative -- SEC Roundtable on October 8

- Efficiency and participation = provide more access points, consistent with current preferences and defaults
- When it comes to millions of individual investors, Internet “access” is not a replacement for information delivery.
- Mandating changes to current “defaults” for disclosure delivery has been shown to negatively impact participation of millions of investors.

### Mutual Fund Summary Prospectus Delivery

- Broad consensus on the need to create a more user-friendly prospectus document.
- Significant savings on printing and postage